

PROPHASE LABS, INC.
CHARTER OF THE
GOVERNANCE AND NOMINATING COMMITTEE
OF THE BOARD OF DIRECTORS

Adoption of Charter

The Board of Directors (the “Board”) of ProPhase Labs, Inc. (the “Company”) has adopted this Charter (the “Charter”) of the Governance and Nominating Committee of the Board (the “Committee”).

Purpose

The Committee is appointed by the Board for the purposes of:

- (1) Developing and recommending criteria for selecting new directors;
- (2) Identifying and recommending to the Board individuals qualified to become Board members and Committee members consistent with criteria approved by the Board;
- (3) Receiving communications from stockholders directed to the Board, including stockholder proposals regarding director nominees to the Board;
- (4) Developing and recommending to the Board a set of Corporate Governance Guidelines applicable to the Company; and
- (5) Overseeing evaluations of the Board, individual Board members and the Committees of the Board.

Organization

(1) Committee Membership

- (a) The Committee shall be comprised of no fewer than three directors.
- (b) To the extent required by applicable law, rule or regulation the Board shall have determined that each member of the Committee has no material relationship with the Company and is “independent”; provided, that the Company may avail itself of any permitted exemptions from such independence requirements.

(2) Appointment

The initial Committee members will be appointed by the Board. Candidates to fill subsequent vacancies shall be nominated and appointed by the Board. Each member of the Committee may be removed at any time, with or without cause, by a majority vote of the Board. Committee members will hold their offices until their successors are elected and qualified, or until their earlier resignation or removal.

(a) *Chairman*

Unless a Chairman is elected by the full Board, the members of the Committee shall designate a Chairman of the Committee by the majority vote of the full Committee membership. In the event of a tie vote on any issue, the Chairman's vote shall decide the issue. The Chairman of the Committee will chair all regular sessions of the Committee and set agendas for Committee meetings.

(b) *Subcommittee*

The Committee may form one or more subcommittees, each of which may take such actions as may be delegated by the Committee. The Committee will periodically report on its activities to the Board and make such recommendations and findings as it deems appropriate.

(3) *Committee Meetings*

The Committee will meet periodically, as deemed necessary by the Chairman of the Committee. All meetings will be at the call of the Chairman of the Committee. A majority of the members of the Committee will constitute a quorum for the transaction of business. Meetings may be held by telephone or by other appropriate means in accordance with the Certificate of Incorporation and By-laws of the Company. The Committee may also act by unanimous written consent. The Committee, as it may determine to be appropriate, may meet in separate executive sessions with other directors, the Chairman of the Board, the Chief Executive Officer and other Company employees, agents or representatives invited by the Committee. The Chairman of the Board shall be entitled to attend meetings of the Committee unless otherwise excused at the request of the Committee.

(4) *Resources and Authority*

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, without having to seek the approval of the Board. The Committee shall have authority to elect, retain, terminate and approve the fees and other retention terms of consultants or search firms used to identify director candidates and to assist in the evaluation of director compensation.

(5) *Reports to the Board*

The Committee shall maintain written minutes or other records of its meetings and activities. The Chair of the Committee shall report to the Board following meetings of the Committee and as otherwise requested by the Chairman of the Board.

Function and Responsibilities

To fulfill its purpose and responsibilities, the Committee's functions will include the following with respect to the Company:

- (1) Develop and recommend to the Board a set of Corporate Governance Guidelines, which shall include the qualifications and criteria for selecting nominees for membership on the Board and committees of the Board. Monitor compliance with the Corporate Governance Guidelines. Review the Corporate Governance Guidelines at least once a year, and make recommendations to the Board for modifications as appropriate.
- (2) Identify individuals believed to be qualified to become Board members, consistent with the Corporate Governance Guidelines and any other factors deemed appropriate, and recommend to the Board nominees for election as directors, including nominees recommended by members of the Board and stockholders of the Company, and consider the performance of incumbent directors whose terms are expiring in determining whether to nominate them to stand for reelection at the next annual meeting of the stockholders.
- (3) In the event of a vacancy on the Board or any committee of the Board (including a vacancy created by an increase in the size of the Board or any committee of the Board), identify individuals qualified to fill such vacancy, consistent with any criterion set forth in the Company's Corporate Governance Guidelines from time to time, as well as any other factors it deems appropriate.
- (4) Establish procedures for, and administer annual performance evaluations of the Board, individual Board members and their committees by their membership, which will include an annual performance review of the Committee by its members.
- (5) Review periodically the composition, structure and function of the committees of the Board and recommend, as appropriate, changes in the number, function or membership of such committees.
- (6) Develop and recommend to the Board standards to be applied in making determinations as to the absence of material relationships between the Company and a director.
- (7) Review Board meeting procedures, including the appropriateness and adequacy of the information supplied to directors prior to and during Board meetings.
- (8) Review and recommend to the full Board of Directors compensation of directors as well as directors' and officers' indemnification and insurance matters.
- (9) To the extent required by applicable law, rule or regulation, consider all candidates recommended by the Company's shareholders in accordance with the procedures to be set forth in the Company's annual proxy statement and assist management in the preparation of the disclosure in the Company's annual proxy statement regarding the operations of the Committee.
- (10) Perform any other activities consistent with this Charter, the Certificate of Incorporation and By-laws and governing law, as the Committee deems appropriate or necessary or as delegated to the Committee by the Board.

Annual Review of Charter and Committee

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including by reviewing the compliance of the Committee with this Charter. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.

* * *